

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Reduced Rate
Long Distance, LLC for Authority to Transfer
Membership Interest. (U-6549-C).

Application 04-05-034
(Filed May 18, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING DIRECTING THE
APPLICANT TO FILE AN AMENDMENT TO THE APPLICATION**

Reduced Rate Long Distance, LLC (RRLD) shall file an amendment to
Application (A.) 04-05-034 that contains the following information and
documents regarding A.04-05-034, RRLD, Visia Communications, LLC (Visia,) and Dominion Business Group, Inc. (Dominion):

1. A signed, unredacted copy of the Membership Interest Purchase Agreement contained in Appendix C of the Application.
2. When an entity that does not possess a certificate of public convenience and necessity (CPCN) seeks to acquire an entity that does possess a CPCN, the Commission requires the acquiring entity to satisfy the same requirements as an applicant seeking a CPCN. In A.04-05-034, authority is sought for a transaction whereby Visia, which does not possess a CPCN, seeks to acquire RRLD, which does possess a CPCN to resell interexchange telecommunications services. To be granted a CPCN to resell interexchange services, an applicant must satisfy two major criteria.¹ First, the applicant must demonstrate that it has \$25,000 of unencumbered cash or cash equivalent to meet the firm's start-up expenses. The applicant must also demonstrate that it has sufficient additional resources to cover all deposits required by other

¹ Decision (D.) 90-08-032, as modified by D.91-10-041 and D.93-05-010.

telecommunications carriers in order to provide service in California.² Second, an applicant must make a reasonable showing of technical expertise in telecommunications or related business.

- A. Please provide evidence that Dominion has \$25,000 of encumbered cash or cash equivalent. The types of acceptable evidence are described in Appendix A of this ruling.
 - B. Please demonstrate that Dominion, once the acquisition is complete, will have sufficient additional resources to cover all deposits required by other telecommunications carriers in order to provide service in California.
 - C. Please identify all key personnel of Dominion and please demonstrate that these personnel have technical expertise in telecommunications or related business.
- 3. Has RRLD ever failed to timely remit any regulatory fees collected in California (e.g., fees collected for the California High Cost Fund-A, CHCF-B, California Teleconnect Fund, Deaf and Disabled Telecommunications Program, and/or Universal Lifeline Telephone Service)? If so, when and why did this occur?
 - 4. Is any current officer, director, partner, owner of more than 10% of RRLD, Visia, or Dominion, or any person acting in that capacity whether or not formally appointed, held a similar position with a telecommunications carrier that went bankrupt during their association or tenure? If so, please identify all such individuals and explain why the Commission should approve A.04-05-034 given the presence of such individuals.

² The financial requirement for NDIECs is contained in D.91-10-041. The requirement for NDIEC applicants to demonstrate that they have additional financial resources to meet any deposits required by underlying LECs and/or IECs is set forth in D.93-05-010.

5. Are there any complaints alleging fraud or significant wrongdoing with respect to RRLD, Visia, Dominion, or any affiliate, officer, director, partner, owner of more than 10% of any of these entities, or any person acting in that capacity whether or not formally appointed, that have been decided by, or are currently pending at, the California Public Utilities Commission (Commission), the Federal Communications Commission (FCC), or other state commissions? If so, please identify and describe all such complaints and explain why the Commission should approve A.04-05-034 given in light of these complaints.
6. Has RRLD, Visia, or Dominion, or any affiliate, officer, director, partner, owner of more than 10% of any of these entities, or any person acting in that capacity whether or not formally appointed, been sanctioned by the Commission, the FCC, or any state regulatory commission for failure to comply with any regulatory statute, rule, or order? If so, please identify and describe all such sanctions and explain why the Commission should approve A.04-05-034 in light of these sanctions.
7. Has RRLD, Visia, or Dominion, or any current officer, director, partner, owner of more than 10% of these entities, or any person acting in that capacity whether or not formally appointed, been found criminally liable for a violation of Section 17000 et seq., of the California Business and Professions Code or for any actions that involved misrepresentations to consumers? If so, please identify and describe all such violations and explain why the Commission should approve A.04-05-034 in light of these violations. Is there currently any investigation for such violations? If so, please describe the investigation.
8. Will the proposed transfer of control described in A.04-05-034 result in any new construction or changes in use of existing property or facilities that would make A.04-05-034 subject to the California Environmental Quality Act (CEQA)? If so, please submit the information required by CEQA.
9. Please state whether the transfer of control of RRLD described in A.04-05-034 has already occurred and, if so, the date it occurred.

10. Recent Commission decisions have imposed a fine of \$5,000 for unauthorized transfers of control. If the transfer of control of RRLD has already occurred, please provide the following information relevant to the Commission's determination of whether to impose a fine of \$5,000:

- A. Why the transfer was implemented without Commission authorization.
- B. The amount of the penalty the Commission should levy pursuant to its authority under Pub. Util. Code Section 2107 and the criteria in D.98-12-075.
- C. The most recent annual income statements and balance sheets for RRLD, Visia, and Dominion.
- D. RRLD's annual revenues from California customers during each of the years 2001, 2002, and 2003.
- E. Any other information that RRLD considers relevant to the Commission's determination of what action it should take in response to the unauthorized transfer of control.
- F. Whether there should be an evidentiary hearing regarding the need for, or the amount of, the fine. If a hearing is requested, the amendment shall include a list and description of the factual issues to be addressed at the hearing.

RRLD shall file an amendment containing the above information at the Commission's Docket Office by no later than June 18, 2004. The contents of the amendment shall be verified in accordance with Rule 2.4 of the Commission's Rules of Practice and Procedure. An electronic copy of the amendment shall be emailed to the assigned Administrative Law Judge (ALJ) at tim@cpuc.ca.gov. The electronic copy should be Microsoft Word, if possible. Questions regarding this ruling may be sent to ALJ Kenney via email at tim@cpuc.ca.gov.

IT IS RULED that:

1. On or before June 18, 2004, Reduced Rate Long Distance, LLC shall file and serve an amendment to Application 04-05-034 that contains the information and documents specified in the body of this ruling.
2. The contents of the amendment shall be verified in accordance with Rule 2.4 of the Commission's Rules of Practice and Procedure.
3. An electronic copy of the amendment shall be emailed to the assigned Administrative Law Judge at tim@cpuc.ca.gov. The electronic copy should be Microsoft Word, if possible.
4. Failure to amend A.04-05-034 by June 18, 2004, may result in a recommended order denying the application.

Dated June 4, 2004, at San Francisco, California.

/s/ TIMOTHY KENNE
Timothy Kenney
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Directing the Applicant to File an Amendment to the Application on all parties of record in this proceeding or their attorneys of record.

Dated June 4, 2004, at San Francisco, California.

/s/ JANET V. ALVIAR

Janet V. Alviar

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703 2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.

Appendix A

Pursuant to Decision (D.) 93-05-010, new applicants for CPCNs as non-dominant IECs must demonstrate that they have \$25,000 of unencumbered cash or cash equivalent in any one of the following forms described in D.91-10-041, Appendix A, Paragraph 5.1, except as noted:

- a. Cash or cash equivalent, including cashier's check, sight draft, performance bond proceeds, or traveler's checks;
- b. Certificate of deposit or other liquid deposit, with a reputable bank or other financial institution;
- c. Preferred stock proceeds or other corporate shareholder equity, provided that use is restricted to maintenance of working capital for a period of at least twelve (12) months beyond certification of the applicant by the Commission;
- d. Letter of credit, issued by a reputable bank or other financial institution, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission;
- e. Line of credit or other loan, issued by a reputable bank or other financial institution, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission, and payable on an interest-only basis for the same period;
- f. Loan, issued by a qualified subsidiary, affiliate of applicant, or a qualified corporation holding controlling interest in the applicant, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission, and payable on an interest-only basis for the same period;
- g. Guarantee, issued by a corporation, co-partnership, or other person or association, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission;
- h. Guarantee, issued by a qualified subsidiary, affiliate of applicant, or a qualified corporation holding controlling interest in the applicant, irrevocable for a period of at least twelve (12) months beyond the certification of the applicant by the Commission; and
- i. In those instances where applicants seeking CPCNs as nondominant interexchange carriers presently have profitable interstate operations, such applicants may meet the minimum financial requirement by submitting an audited balance sheet and income statement demonstrating sufficient cash flow. (D.94-11-009)